

Students' Association of Mount Royal University

Financial Statements
June 30, 2019



Independent auditor's report

To the Members of Students' Association of Mount Royal University

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Students' Association of Mount Royal University (the Association) as at June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at June 30, 2019;
 - the statement of revenues and expenses for the year then ended;
 - the statement of changes in net assets for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
November 25, 2019

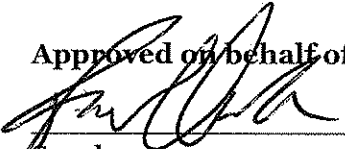
Students' Association of Mount Royal University

Statement of Financial Position


As at June 30, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents	2,075,650	1,326,378
Short-term investments (note 3)	349,724	-
Accounts receivable	159,917	179,447
Inventories	76,169	68,835
Prepaid expenses	82,425	52,425
Funds held in trust	89,414	92,853
	<u>2,833,299</u>	<u>1,719,938</u>
Investments (note 3)	7,110,251	7,347,854
Capital assets (note 4)	<u>12,910,280</u>	<u>13,451,205</u>
	<u>22,853,830</u>	<u>22,518,997</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 8 and 9)	431,783	505,898
Deferred revenue	663,571	433,409
Promissory note (note 5)	350,068	333,190
Funds held in trust	89,414	92,853
	<u>1,534,836</u>	<u>1,365,350</u>
Advances and deposits held	56,950	56,950
Promissory note (note 5)	9,558,638	9,908,706
Deferred contributions (note 6)	<u>3,087,715</u>	<u>3,140,242</u>
	<u>14,238,139</u>	<u>14,471,248</u>
Net assets		
Internally restricted net assets invested in capital assets	1,359,834	1,443,277
Internally restricted (note 7)	7,063,998	6,701,743
Endowment	35,000	35,000
Unrestricted (deficiency)	156,859	(132,271)
	<u>8,615,691</u>	<u>8,047,749</u>
	<u>22,853,830</u>	<u>22,518,997</u>

Approved on behalf of The Student Governing Board



Speaker



Governor

The accompanying notes are an integral part of these financial statements.

Students' Association of Mount Royal University

Statement of Revenues and Expenses

For the year ended June 30, 2019

	2019 \$	2018 \$
Revenues		
Fees	3,571,254	3,345,570
Membership services	2,603,799	2,477,668
Business operations	1,131,671	1,212,181
Interest and dividend income	243,348	222,379
Change in fair value of investments	231,566	211,878
Amortization of deferred contributions	132,919	134,263
Management and executive	114,275	96,133
Programming	5,300	6,213
	<hr/> 8,034,132	<hr/> 7,706,285
Expenses		
Membership services	3,091,812	2,882,074
Management	2,396,284	2,634,405
Amortization	591,029	597,517
Business operations – direct expenses	550,352	586,759
Executive	420,737	380,147
Business operations – cost of sales	202,201	259,444
Programing	213,775	250,365
	<hr/> 7,466,190	<hr/> 7,590,711
Excess of revenues over expenses	<hr/> 567,942	<hr/> 115,574

The accompanying notes are an integral part of these financial statements.

Students' Association of Mount Royal University

Statement of Changes in Net Assets

For the year ended June 30, 2019

					2019	2018
	Internally restricted net assets invested in capital assets \$	Internally restricted \$ (note 7)	Endowment \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	1,443,277	6,701,743	35,000	(132,271)	8,047,749	7,932,175
Excess of revenues over expenses	(133,547)	(979,834)	-	1,681,323	567,942	115,574
Transfer to internally restricted	-	1,342,089	-	(1,342,089)	-	-
Purchase of capital assets – internally funded	55,097	-	-	(55,097)	-	-
Disposal of capital assets	(4,993)	-	-	4,993	-	-
	(83,443)	362,255	-	289,130	567,942	115,574
Balance – End of year	1,359,834	7,063,998	35,000	156,859	8,615,691	8,047,749

The accompanying notes are an integral part of these financial statements.

Students' Association of Mount Royal University

Statement of Cash Flows

For the year ended June 30, 2019

	2019 \$	2018 \$
Cash flows provided by (used for)		
Operating activities		
Excess of revenues over expenses	567,942	115,574
Add items not involving cash		
Amortization	591,029	597,517
Deferred contribution recorded as fees, membership services, and management and executive revenue	(1,078,420)	(1,095,362)
Amortization of deferred contributions	(132,919)	(134,263)
Unrealized increase in market value of investments	(76,364)	(186,485)
Loss on disposal of capital assets	3,355	29,161
	(125,377)	(673,858)
Changes in non-cash working capital	138,243	(20,863)
	12,866	(694,721)
Financing activities		
Capital contributions received	1,040,824	946,138
Scholarship contributions received	102,260	91,684
Other contributions received	15,728	67,177
Repayment of promissory note	(333,190)	(317,125)
	825,622	787,874
Investing activities		
Acquisition of capital assets – internally funded	(55,097)	(21,370)
Proceeds on sale of capital assets	1,638	-
Purchase of investments	(5,564,240)	(1,951,745)
Proceeds from sale of investments	5,528,483	1,667,783
	(89,216)	(305,332)
Increase (decrease) in cash and cash equivalents	749,272	(212,179)
Cash and cash equivalents – Beginning of year	1,326,378	1,538,557
Cash and cash equivalents – End of year	2,075,650	1,326,378
Cash and cash equivalents comprise the following		
Cash on hand and balances with banks	1,652,467	1,147,847
Investments in money market instruments	423,183	178,531
Total cash and cash equivalents	2,075,650	1,326,378
Supplementary cash flow information		
Interest paid	508,299	523,770

The accompanying notes are an integral part of these financial statements.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

1 General

The Students' Association of Mount Royal University (SAMRU or the Association) is a not-for-profit organization, which was incorporated under the authority of the Post-Secondary Learning Act of the Province of Alberta in 2005 (having incorporated under the Societies Act of the Province of Alberta in 1967). SAMRU is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Student Governing Board is established within the Post-Secondary Learning Act and SAMRU's bylaws constitute the Student Governing Board as the governing board of the Association. The majority of Governors and the four Representation Executive Council Officers are elected annually from and by the general membership of the Association. The Student Governing Board is the fiduciary trustee for SAMRU and, as such, makes all of the crucial decisions regarding the Association's purpose, resources, strategic plans and policy.

SAMRU operates as an independent, autonomous body separate and distinct from Mount Royal University. SAMRU entered into a License of Occupation Agreement and Collateral Agreement with the Board of Mount Royal University, which entitles SAMRU to the exclusive use of the Wyckham House Student Centre. SAMRU records the Right to Occupy Wyckham House as a capital asset as SAMRU has the beneficial risks and rewards of this asset.

2 Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Canada, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and investments in money market instruments with terms to maturity of less than 90 days from date of purchase.

Funds held in trust and liability for funds held in trust

Funds held in trust represent monies managed by the Association on behalf of other organizations such as student-run clubs. The Association does not report the revenues and expenses related to these funds.

Investments

Investments consist of equities, mutual funds, income funds and government and corporate bonds. Investments are recorded at fair value as determined by reference to their quoted market prices. Changes in fair value are recognized in the statement of revenues and expenses in the year in which they arise.

Inventories

Inventories are valued at the lower of cost and net realizable value. The valuation method used is first-in, first-out.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

Financial instruments

The Association initially measures financial assets and financial liabilities in the statement of financial position at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than investments, which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, and funds held in trust asset. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities, funds held in trust liability, advances and deposits held, and the promissory note.

Credit risk

The Association does not have a concentration of credit exposure with any one party. The Association does not consider that it is exposed to undue credit risk.

Other price risk

The Association is not significantly exposed to currency risk due to changes in foreign exchange rates, or market risk from fluctuations in the marketplace.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulties in meeting its financial obligations. The Association manages its liquidity risk through cash and debt management.

Interest rate risk

The Association does not consider its exposure to interest rate risk as a result of changes in market interest rates or cash flow risk to be significant.

Capital assets

SAMRU records capital assets at cost, including installation costs. Contributed capital assets are recorded at fair value at the date of contribution, determined by reference to cost for similar assets. During the year, there were no contributed capital assets (2018 – \$nil). SAMRU records amortization using the following methods and rates, intended to recognize the cost of property and equipment over their useful lives:

	Method	Rate
Furniture and fixtures	Declining balance	20%
Computers and electronics	Declining balance	30%
Right to occupy Wyckham House	Straight-line	40 years
Wyckham House improvements	Straight-line	40 years
Wyckham House expansion and development	Straight-line	40 years

Amortization is not provided on capitalized costs relating to major additions until the respective additions are substantially complete and put into use.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Contributions externally restricted by third parties and related to general operations are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions related to capital assets or repayments of debt obtained to purchase capital assets are recognized as revenue as the related capital assets are amortized. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Dividend income, interest income, and change in fair value of investments are recognized as revenue in the year in which they arise.

Revenue from fees, membership services, business operations, programming, and management and executive are recognized as services are provided.

Contributed services

SAMRU receives contributed services from Mount Royal University in the form of utilities for the non-revenue generating areas of Wyckham House. Volunteers contribute a significant number of hours per year to assist SAMRU in carrying out its program activities. Because of the difficulty of determining their value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. These estimates and assumptions are reviewed periodically and as adjustments become necessary, they are reported in the statement of revenues and expenses in the year in which they become known.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

3 Investments

	2019 \$	2018 \$
Federal and Provincial bonds	3,089,268	1,347,989
Corporate bonds	1,332,101	2,683,265
Income funds	25,402	-
Equities – Canadian	1,207,732	1,840,895
Equities – International	1,805,472	1,475,705
	<u>7,459,975</u>	<u>7,347,854</u>

Investments are recorded as:

	2019 \$	2018 \$
Short-term investments	349,724	-
Long-term investments	7,110,251	7,347,854
	<u>7,459,975</u>	<u>7,347,854</u>

4 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Furniture and fixtures	874,107	737,799	136,308	151,138
Computers and electronics	348,203	294,895	53,308	60,693
Right to occupy Wyckham House	3,952,253	3,109,179	843,074	948,457
Wyckham House improvements	1,175,156	813,053	362,103	384,073
Wyckham House expansion and development	15,668,172	4,152,685	11,515,487	11,906,844
	<u>22,017,891</u>	<u>9,107,611</u>	<u>12,910,280</u>	<u>13,451,205</u>

5 Promissory note

	2019 \$	2018 \$
Debenture repayable in semi-annual instalments of \$420,738 including interest at 5.003%, due June 2037 and secured in the event of default by way of a Capital Levy against annual capital campaign fees collected by the Association	9,908,706	10,241,896
Less: Current portion of promissory note	<u>350,068</u>	<u>333,190</u>
	<u>9,558,638</u>	<u>9,908,706</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

Principal repayments on long-term debt in each of the next five years and thereafter are estimated as follows:

	\$
2020	350,068
2021	367,801
2022	386,432
2023	406,007
2024 and thereafter	<u>8,398,398</u>
Total	<u>9,908,706</u>

6 Deferred contributions

Deferred contributions

Deferred contributions represent amounts received that are externally restricted and have not been spent. The balance will be recognized as revenue when the related expenses are incurred or classified as unamortized deferred capital contributions once expended for capital expansion and development.

	2019 \$	2018 \$
Contributions received for		
Capital expansion and development	1,040,824	946,138
Scholarships	102,260	91,684
Program support	-	64,616
Season of caring	6,146	2,561
Club development fund	9,582	-
	<u>1,158,812</u>	<u>1,104,999</u>
Contributions recorded in the year as		
Fees revenue	(1,022,822)	(1,054,987)
Membership services revenue	(46,016)	(40,375)
Management and executive revenue	(9,582)	-
	<u>(1,078,420)</u>	<u>(1,095,362)</u>
Increase during the year	80,392	9,637
Deferred contributions – Beginning of year	<u>966,483</u>	<u>956,846</u>
Deferred contributions – End of year	<u>1,046,875</u>	<u>966,483</u>
The balance is externally restricted for the following		
Scholarships	866,394	879,780
Capital campaigns	133,648	-
Program support	44,808	85,517
Season of caring	2,025	1,186
	<u>1,046,875</u>	<u>966,483</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

Unamortized deferred capital contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized in revenue, as earned capital contributions, in future years as the related funded assets are amortized.

	2019 \$	2018 \$
Balance – Beginning of year	2,173,759	2,308,022
Less: Amount amortized to revenue	132,919	134,263
Balance – End of year	<u>2,040,840</u>	<u>2,173,759</u>

7 Internally restricted net assets

The Association's Student Governing Board has internally restricted net assets for the following:

	2019 \$	2018 \$
Reserve	2,996,074	2,111,934
Health and dental	1,946,282	1,838,817
Capital replacement	1,000,000	1,776,577
Scholarship	710,217	645,040
Capital	396,331	315,017
Deanna Cardinal Memorial fund	15,094	14,358
	<u>7,063,998</u>	<u>6,701,743</u>

8 Termination benefits

During the year, the Association paid a total of \$9,000 (2018 – \$135,710) in termination benefits, which is included in management expense, and accounts payable and accrued liabilities for the prior year.

9 Government remittances

In respect of government remittances, Goods and Services Tax (GST) of \$5,648 (2018 – \$3,673) is included in accounts payable and accrued liabilities.

10 Contingent gain

From February 2015 through January 2018, the Association paid a total of \$368,416 to Mount Royal University as GST related to the Association's occupation of the Wyckham House Student Centre. The Canada Revenue Agency's decision underlying Mount Royal University's requirement to collect and remit GST related to the Association's occupation of the Wyckham House Student Centre has been appealed by Mount Royal University.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2019

Mount Royal University has confirmed there is a reasonable likelihood that the appeal will be successful and the Association expects to recover the net value of the total GST amount paid to Mount Royal University related to the Association's occupation of the Wyckham House Student Centre less the sum total of rebates previously claimed against the amounts paid. As such, SAMRU estimates a contingent gain of \$184,208 exists as of June 30, 2019.